

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Bonnie Storbakken, Governor's Office
Jessica Pfaff, Agriculture Department
Eric Hardmeyer, Bank of North Dakota
Joel Erickson, Bank of North Dakota
Jeff Weiler, Bank of North Dakota
Todd Steinwand, Bank of North Dakota
Bob Entringer, Dept. of Financial Institutions
Ryan Spah, Dept. of Financial Institutions
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 1:02 p.m. and the Commission took up Bank of North Dakota business.

Mr. Eric Hardmeyer, Bank of North Dakota President, discussed a motion to rescind the "Policies of the Guarantor Receiving U.S. Department of Educational Approval" Policy. (A copy of the policy is available in the Commission files.) Mr. Hardmeyer said that the Bank of North Dakota transferred the duties of guaranteeing federal student loans on April 1 over to Department of Education. The Department then then transferred those duties to Great Lakes. Therefore, the policy is no longer needed.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission rescind the Bank of North Dakota Policy "Policies of the Guarantor Receiving U.S. Department of Education Approval". On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Hardmeyer presented the Second Quarter 2016 Performance Highlights. (A copy is available in the Commission files.) He reviewed the following points:

- Balance Sheet shows the Bank is approximately on target at \$7.3 billion (\$32 million off from projections).
- Overall loans are down \$88 million from projections primarily due to farm loans. The Bank had budgeted \$300 million for the Farm Financial Stability Loan Program and the actual amount was \$155 million. Overall farm loans were down \$131 million. Commercial loans were up \$20 million and student loans were up \$15 million.
- Deposits are off \$300 million plus - a result of the decline in revenues that would flow into the Bank from sales and income taxes. The Bank has replaced those deposits with short term borrowings from the Federal Home Loan Bank and will continue to do so if deposits continue to decrease.
- Income for six months is \$74 million which is \$5.4 million above what had been budgeted. Interest income is down \$1.7 million but that is offset by a decrease in interest expense of \$4.3 million (interest costs are lower than what had been projected). He noted that during the first part of 2016 Bank management determined that the Bank had sufficient money in the provision for credit losses and suspended payments for a few months which resulted in savings of \$1.5 million. Also non-interest expense is down \$2 million from projections. Overall, if you annualize this information the Bank's profits for CY 2016 will exceed their budget projections of \$135 million and be in the range of \$135 million to \$140 million for net profit. Last year was \$131 million.
- Leverage ratio/capital ratio at the end of the second quarter was at 11 percent - the highest the Bank has been in over 20 years--1997 was the last time the Bank was above 10 percent. The Bank's benchmark is

8.5%. He indicated that Bank management has been looking at moving that benchmark up towards 10 percent as a good leverage ratio. That level would be in line with the North Dakota average of almost 10 percent. The Bank is in good shape with this leverage ratio.

Governor Dalrymple said he had recently asked Mr. Hardmeyer a hypothetical question – suppose the State would like to access approximately \$100 million from the Bank's accumulated profits for interim purposes. Mr. Hardmeyer had provided him with the information about the capital ratio of 11% and had indicated that 10% would be outstanding--the Bank has a strong capital base.

In response to a question Mr. Hardmeyer stated that if the Bank provided \$100 million to the State the Bank would still have a capital ratio of over 10 percent. Mr. Hardmeyer indicated that Bank management has done a lot of analysis on this. The Bank's capital position right now is over \$810 million. In response to the Governor's hypothetical question, the Bank looked at not only the \$100 million transfer but also the rest of the draws on the Bank's capital which would include \$100 million for the infrastructure loan program and the remainder needed for the buy down programs. With all those transfers being made the Bank would still have over 10 percent capital at June 2017 assuming the Bank stays at about the same size--in the \$7 billion to \$7.3 billion range. The Bank would still be very strong. In response to a question, Mr. Hardmeyer said there have been times in the last 10 years that the Bank had a capital ratio of 6.29%.

Mr. Hardmeyer and Mr. Todd Steinwand continued their review of the Second Quarter Performance Highlights.

- He reviewed the Net Loans to Earning Assets report which is a measure of the Bank's liquidity – it has been growing nicely to about 64 percent loan to assets. This means that about two-thirds of Bank's assets are in loans, the rest would be considered available for liquidity. The Bank is in a good position. Industry on average is just a little over 71 percent.
- He reviewed each of the loan program summaries -- Commercial Loans, Agricultural Loans, Residential Loans and Student Loans. He noted that the DEAL portfolio has exceeded a billion dollars for the first time. The Bank has plenty of buy down money available in the PACE programs. Also commented on the School Construction Program. It appears that by the end of the biennium the Bank will have financed approximately \$130 million in school construction loans. In regards to the beginning farmer loan programs the Bank is showing the Bank has financed the second highest total in the last five years. Real estate is being purchased; believes it is the transfer of land from one generation to the next generation.
- In regards to the delinquency report, he noted that the student loan portfolio continues to show improvement because the Bank is booking more DEAL One loans which are income tested and in repayment. The delinquency rate for the DEAL One/Consolidation portfolio is at 0.62 percent. The residential portfolio is up a little bit--seeing some increases in the western part of the state and also in the Fargo area. Nearly all of the residential delinquencies are federally guaranteed loans. Commercial portfolio is holding steady; farm portfolio is seeing some increases. However, when you combine all the portfolios the overall delinquency percentage is going down.
- The allowance for credit losses is at \$68.7 million. The Bank's total allowance as a percentage of total loans is 1.47% -- industry average at 1.32%. He pointed out that there is an asterisk by the 1.47% for the first time. Bank management had considered taking the DEAL Program out of these numbers because the Deal Program has its own reserve separately from the Bank's loan reserve. If you took the DEAL portfolio out the Bank's total allowance would be 1.87%. Bottom line, the Bank has a strong reserve. In response to a question he noted that there is approximately \$34 million available in the Guarantee Agency as a reserve for the DEAL loan portfolio. He indicated that the Bank will be starting in July to add more money into the loan loss allowance which will impact the Bank's earnings.
- College SAVE continues to increase – there are nearly \$400 million of assets under management--a total of almost 30,000 accounts of which 18,000 are North Dakota accounts. He indicated that the growth is partially due to the ND Matching and Children FIRST Grants.

Mr. Hardmeyer discussed approval of BND Officer Salaries. (A copy is available in the Commission files.) He recommended approval.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Bank of North Dakota President and the Bank of North Dakota Advisory Board and approve the following salary increases for Bank of North Dakota officers effective July 1, 2016:

| | <u>Annual Increase</u> | <u>New Annual Salary</u> |
|---------------------|------------------------|--------------------------|
| Todd Steinwand, SVP | \$4,000 (2%) | \$204,000 |
| Tim Porter, SVP | \$3,632 (2%) | \$185,234 |
| Joe Herslip, SVP | \$4,122 (3%) | \$141,527 |
| Kirby Evanger, SVP | \$5,197 (3%) | \$178,448 |

Commissioner Goehring noted that it didn't appear that these salaries hit the median for banking industry compensation for similar positions. He asked if the Bank might lose people in the future if activity picks up. Mr. Hardmeyer responded that the Commission has been very helpful over the last couple of years of bringing salaries more in line with the banking industry and he does have concerns that if salary increases are limited in the future, the Bank could lose some of its employees. The Bank is subject to market pressures and the Bank competes for talent with the banking industry. He thanked the Commission for the progress that has been made and the Bank needs to be vigilant in keeping pace with the market.

On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Steinwand presented the Farm Financial Stability Loan Program final report as follows:

SUBJECT: Farm Financial Stability Loan Program (FFSLP)

The FFSLP was approved by the Industrial Commission to provide below market interest rates and extended terms to North Dakota farmers who have been impacted by the downturn in the ag economy. The application period for this program was available from December 1, 2015 through June 30, 2016. The information below is as of 7/13/16:

| <u># OF LOANS:</u> | <u>BND LOAN VOLUME:</u> | <u>TOTAL LOAN VOLUME:</u> |
|--------------------|-------------------------|---------------------------|
| 349 | \$ 155,190,160 | \$ 222,339,065 |
| 205 Chattels | \$ 67,243,120 | \$ 97,333,379 |
| 142 Real Estate | \$ 87,947,040 | \$ 125,005,686 |

Average BND Loan Size: \$452,309

BND Funded Loans: 267 loans totaling \$116 million

Interest Rate Break Down: (74% Fixed, 26% Variable)

BND Risk Rating Break Down:

- 3 Rated 7%
- 4 Rated 54%
- 5 Rated 39%

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ND Geographic Break Down Based on BND Loan Amount:

71% East of Highway 83

29% West of Highway 83

In response to a question, Mr. Steinwand indicated that there are more farm loans than ranch loans--Commissioner Goehring stated that is what his department is seeing in the Credit Counseling/Mediation Programs. The Commission commended the Bank on the way they structured this program and it appears to be working great.

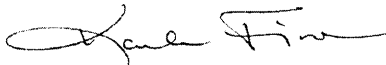
Mr. Hardmeyer presented the non-confidential Bank of North Dakota Advisory Board May 19, 2016 meeting minutes.

Governor Dalrymple closed the meeting at 1:29 p.m. pursuant to North Dakota Century Code 6-09-35 to discuss the items on the agenda under Bank of North Dakota confidential business.

Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 2:01 p.m. and it was noted that during the confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in one loan identified as Attachment 7. In non-confidential session, on a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Bank of North Dakota business, Governor Dalrymple adjourned this portion of the meeting at 2:02 p.m. and the Commission took up Housing Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office
Jessica Pfaff, Agriculture Department
Jolene Kline, Housing Finance Agency
Max Wetz, Housing Finance Agency
Jennifer Henderson, Housing Finance Agency
Jaden Grossman, Attorney General's Office
Members of the Press

Governor Dalrymple called the Housing Finance Agency portion of the Industrial Commission meeting to order at 2:03 p.m. following completion of Bank of North Dakota business.

Ms. Jolene Kline, Housing Finance Agency Executive Director, presented the following summary of the Report on 2016 Housing Needs Assessment (which is an update to the 2012 Statewide Housing Study) and her report on the community roundtable discussions that had been held across the state. The Agency received the initial draft of the Assessment about two weeks ago--the full copy is anticipated within the week.

RE: Housing Needs Assessment; Community Roundtable Discussions

The North Dakota Housing Finance Agency commissioned an update to the Statewide Housing Needs Assessment and this memo is to provide a brief overview of the key findings as well as report on my findings from attending community roundtable discussions across the state.

Dr. Nancy Hodur headed the joint effort to update the Statewide Housing Needs Assessment between the Department of Agribusiness and Applied Economics and the Center for Social Research at North Dakota State University. The report, an update of a 2012 assessment, is again organized by geography including by region, county, 12 largest cities and four Indian Reservations. It includes forecasts in five year increments for population, households and housing units, broken down by demography and housing type.

The assessment projects population growth of 20 percent from 2014 and 2029 statewide, but the growth will be geographically mixed with some areas continuing to see decline. North Dakota has seen a significant increase of people of prime child bearing age (25 to 44) which has helped to reduce the state's median age. However, the aging Baby Boom generation will continue to fuel a growth of our senior population by 52 percent by 2029. The age group under 25 will grow by 17 percent and the childbearing age group is expected to grow by 30 percent.

The assessment also projects that lower income households will see the greatest increase with a 23.6 percent increase in extremely low-income households between 2014 and 2029 and a 25.4 percent increase in very low-income households. Moderate income households will increase in a more moderate range around 20 percent.

This population growth translates to a need for additional housing units between now and 2029, especially housing that is affordable for low-income households. The state's urban centers will see the most growth. Region VI is the only region that is projected to see decreased need for housing, while Region III will remain mostly steady.

Corresponding with the younger population growth, first-time homebuyers is expected to grow by 25 percent.

Housing costs, as measured by prices for residential property, have seen dramatic increases in many of our large communities in the past decade. Williston and Dickinson saw the steepest increases while Grand Forks and Fargo held the steadiest. The average price in Bismarck increased by more than \$100,000 while 2014 prices in Mandan and Minot nearly doubled from 2003. Correspondingly, per capita expenditures for housing and utilities in the state saw a nearly 50 percent increase from 2003 to 2014.

While oil and ag commodity price decreases have made an impact, the state's economy is still strong and labor markets are tight, especially in the state's urban areas. This will likely continue to pressure housing prices.

In the assessment this time, we included information regarding people with disabilities to better gauge the need for appropriate housing. We also included a discussion of the state's aging affordable housing stock including Public Housing, Section 8, Low Income Housing Tax Credits and USDA Rural Development properties. Many of these projects are nearing the end of their useful life and have need for substantial rehabilitation.

Many of the housing issues discussed in the Statewide Housing Needs Assessment are also on the minds of community leaders. I participated in community roundtable discussions with the Bank of North Dakota, Public Finance Authority and Department of Commerce and community leaders in the Williston, Dickinson, Minot, Bismarck, Jamestown, and Grand Forks areas. A meeting in Fargo has yet to be held.

Some of the themes discussed were the need to rehab existing housing stock, senior housing, high costs of housing, and costs associated with the infrastructure necessary for housing development. As shown in the Housing Needs Assessment, costs related to housing have increased dramatically including land. In a number of communities, high housing costs are shutting people out of homeownership opportunities.

A lack of affordable housing can constrain economic development efforts and make employee recruitment and retention much more difficult.

Special needs populations, especially seniors on fixed incomes, were also discussed. Without appropriate and affordable rental options, seniors can't sell their single-family homes which impacts first-time and moderate-income homebuyers who cannot afford new construction.

Permanent supportive housing is also needed. The greatest challenge with that type of special housing is the lack of service providers and the lack of funding resources for those services. While NDHFA may be able to finance the construction of the project, adequate funding is not available for ongoing supportive services.

We will be publishing the complete Statewide Housing Needs Assessment including the detailed tables of data and projections to our website. We will also plan to hold stakeholder forums to give housing industry partners and community leaders an opportunity to learn more about the findings of the assessment and to help shape housing policy recommendations.

Ms. Kline indicated that they are still discussing how they will be utilizing the new Assessment--whether they will have a stakeholder meeting here in Bismarck or if they should be holding regional forums and get input on how the Agency moves forward in meeting the housing needs identified in the Assessment.

Ms. Kline presented the Report on Efforts to Reduce Homelessness using the Housing Trust Fund and other Housing Finance Agency resources as follows:

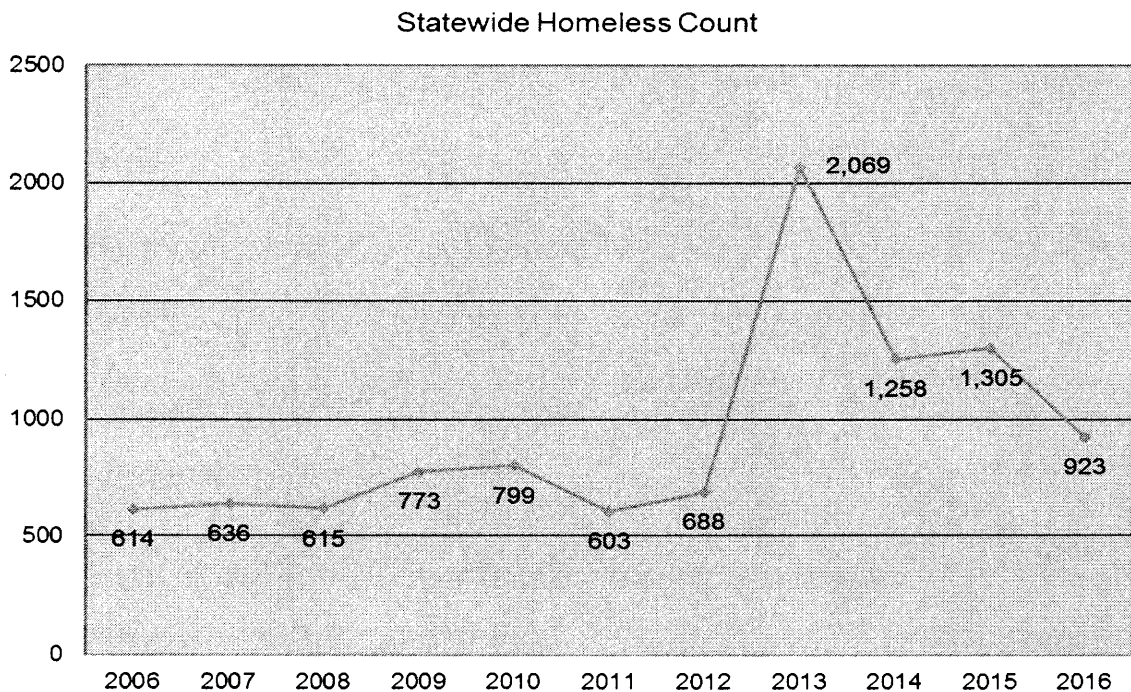
RE: How the Housing Trust Fund will assist homeless individuals

In a previous Industrial Commission meeting, it was requested that I report to you on how the National Housing Trust Fund will help address homelessness in North Dakota. While I will detail the specifics of that, I also want to provide some context and describe the other ways in which North Dakota Housing Finance Agency is working to end homelessness in the state.

According to the 2016 Point-in-Time count by the North Dakota Coalition for Homeless People, there were 923 people who were homeless on the night of January 28, 2016, in North Dakota. Of that number, 154 were children. While a majority of the homeless population were located in emergency or transitional shelter, 216 were found to be unsheltered, including 27 children.

The North Dakota Department of Public Instruction conducts a count of homeless students as required by the McKinney-Vento Homeless Assistance Act. In addition to those literally homeless, they also include students in families that are “doubled up” in housing and those living in motels, hotels and RVs. For the 2015-16 school year, 2,276 homeless students were reported.

Looking at homelessness over the past decade, the number of homeless individuals was down from its peak in 2013, but is still significantly higher than it was 10 years ago.



While the progress being made to end homelessness is encouraging, the numbers are still troubling because it means we have North Dakota citizens without a safe, decent and affordable place to call home. To help address homelessness, North Dakota Housing Finance Agency has been using the resources at its disposal.

The Housing Incentive Fund has been used to create 118 units targeted specifically to homeless households. These units include access to supportive services in addition to affordable rents. Also, 240 units are income- and rent-restricted to Extremely Low-Income households (30 percent of area median income) and 116 are restricted to Very Low-Income households (50 percent of AMI). These income brackets represent the households most vulnerable to homelessness.

The federal Low Income Housing Tax Credit, likewise, is designed to assist households at incomes below 60 percent of area median income and a number of projects offer units targeted to ELI households and include supportive services for special needs populations like the homeless.

Together, these two funding sources have been the largest creators of affordable housing in North Dakota. Without the units created under these programs, more individuals and families would struggle with housing burdens and face the real possibility of homelessness.

A new resource that NDHFA will be employing is the National Housing Trust Fund, which begins this Fall. The purpose of the HTF is to increase and preserve the supply of affordable housing for extremely low-income (ELI) households including homeless families. North Dakota will receive the small state minimum of \$3 million per year until the fund is capitalized at a level which will allow for a greater share based on population and need.

The HTF allocation plan, which is pending approval by HUD, was developed with the state's Consolidated Plan and the North Dakota Interagency Council on Homelessness 10-Year Plan in mind:

North Dakota Consolidated Plan Housing Strategies

- Preserve and improve the quality and condition of the existing rental and owner-occupied housing stock through the rehabilitation of lower-income, disabled, and elderly households.
- Fund homeownership opportunities for lower income residents.
- Provide funding to increase the supply of multifamily housing.

North Dakota Consolidated Plan Homeless Strategies

- Support emergency shelters and transitional housing for the homeless.
- Create additional transitional and permanent supportive housing facilities.
- Provide financial support to assist those at imminent risk of homelessness, including rapid rehousing.
- Fund homeless prevention activities, including data collection and prevention services.

North Dakota's 10-Year Plan to End Long Term Homelessness: Relevant Strategies

- Develop permanent supportive housing.
- Improve the ability to pay rent.
- Expand supportive services to wrap around housing.

To incentivize projects that serve those at risk of or experiencing homelessness, NDHFA included a point category in the project scoring criteria for permanent supportive housing for special needs populations including:

- Persons suffering from chronic or persistent mental illness;
- Persons suffering from chronic chemical dependency;
- Persons with disabilities (physical and/or developmental);
- Individuals or families who are experiencing long-term homeless, or at significant risk of long-term homelessness;
- The frail elderly.

To earn these points, among other requirements, the applicant must show third-party verification of the services appropriate to the target population including a formal letter of intent with a service provider. Examples of services include, but are not limited to:

- Case management;
- Mental health services;

- Alcohol and substance abuse counselling;
- Independent living skills training;
- Job and vocational skills training;
- Health and medical care;
- Social and community engagement activities; and
- “Peer-to-peer” guidance from individuals already in the service program.

Projects that are staffed 24 hours per day by services personnel will receive additional points.

Supportive services are key for successfully housing people who are homeless because of the prevalence among the homeless population of severe mental illness, chronic substance abuse and intellectual disability or co-occurring disorders. In the 2016 Point-in-Time count, there were 113 individuals with a severe mental illness and 94 with chronic substance abuse issues. While our hope is to generate additional permanent supportive housing units with the HTF, that funding may only be used for brick and mortar construction of the building and not for any service provisions. Funding for those services must be obtained from another source.

Because of the incidence of poverty on tribal lands in North Dakota, we have also included a 10 percent set-aside of the HTF for projects on Indian Reservations or other tribal trust lands.

All projects that will be funded by the HTF are required to be affordable for at least 30 years. This promise of continued affordability is important for ELI households in providing a greater degree of stability. It is our aim with the HTF program to make progress in furthering the ICH 10-Year Plan strategies and ultimately to achieve the goal of ending homelessness in North Dakota.

Because of the limited amount of funding coming from the HTF, we do not expect it to be a stand-alone resource for projects. In fact, we have expressly tied it to the Low Income Housing Tax Credit program by awarding points for use of LIHTC and synchronizing the application deadlines for both programs. The reason for this strong link between the programs has to do with the financial feasibility of building housing for ELI households. Units with rents restricted to ELI household incomes cost the same to develop, but do not provide adequate revenue to be sustainable. By layering equity sources together, greater viability is achieved for the project and rents can be low enough to be affordable for the lowest incomes.

In addition to the financial resources we have committed to creating permanent supportive housing, NDHFA has also taken a lead in facilitating greater collaboration between housing and service providers. Together with the Department of Human Services, we started a Statewide Supportive Housing Collaborative which has spurred collaboratives in each of the state’s eight regions. With the guidance of the DHS Money Follows the Person Grant housing staff, the regional collaboratives are making great progress in breaking down silos, enabling communication and developing resources and projects that will directly benefit people who are homeless, disabled, elderly and low-income.

Our staff are active members of the DHS Behavioral Health Council and the Board of Directors of the North Dakota Coalition for Homeless People. They have also participated in several supportive housing planning efforts including the Healthcare and Housing Systems Integration Initiative, Medicaid Innovation Accelerator Program Supporting Housing Tenancy series, and the North Dakota Statewide Aging Collaborative Framework for Making Aging in North Dakota Better. As chair of the ICH, my hope is to further examine these efforts and assist in coordinating and consolidating the action plans to ensure the best outcomes for the target populations, specifically the homeless.

Seeing progress being made in combatting homelessness through the efforts of NDHFA is gratifying, but also humbling because I know we are far from reaching our goal. We are committed to our mission of

assisting in providing housing for every North Dakotan and it is heartbreaking that we still have individuals and families without an adequate place to call home. With the resources at our disposal, we will continue to work to fulfill that mission and will continue to seek out new means to achieve the goal of ending homelessness in North Dakota.

Ms. Kline noted that the Department of Human Services had presented their list of potential legislative items to the Human Services Interim Committee and 11 of their items involve housing. The Human Services Interim Committee then directed the Department of Human Services to work with the Housing Finance Agency and also involve the Department of Corrections to try and figure out a way to come up with a joint recommendation to that interim committee for the housing and services items of their legislative list. Those agencies will be meeting later this week.

The Commission members and Ms. Kline discussed that the numbers show that the trend is going in the right direction. However, the human services side of the homelessness issue is getting bigger and bigger. Drug addiction is at the core of these situations. That also needs to be addressed. Ms. Kline indicated that a number of the recommendations that deal with housing relate to the need for transitional housing--halfway houses. You uncover what the problem is and the individual may not be ready to move into a permanent rental situation right away but that halfway house/transitional center could get them ready. Get them off the street and get them into a halfway house and then you transition into permanent rental. That service delivery part has to start from day one and be consistent until they get into that permanent rental situation if they are going to be successful. She noted that one good example is the Cooper House in Fargo that the Agency funded several years ago with federal Low Income Housing Tax Credit Program. They follow that Housing First Model -- you get the individual off the street, put them into housing and then you start giving them the services to make them successful in that environment. She said that Grand Forks is looking at modeling a similar permanent supportive housing project and will be seeking funding from the Agency this fall.

The Commission commended Ms. Kline for the efforts the Agency is making in coordinating their efforts to deal with this issue.

Ms. Kline then presented the final draft of the National Housing Trust Fund Allocation Plan which is a substantial amendment to the State Consolidated Housing Plan as follows: (A copy of the Allocation Plan is available in the Commission files.)

RE: Final Draft of the National Housing Trust Fund (24 CFR Part 93) Allocation Plan

The National Housing Trust Fund (HTF) is a permanent federal program, established as part of the Housing and Economic Recovery Act of 2008 and codified in the Code of Federal Regulations, Title 24, Parts 91 and 93. The primary purpose of the HTF is to provide grants to state governments to increase and preserve the supply of affordable rental housing for extremely low income (ELI) households, defined as those earning less than 30% of the area median income (AMI), including homeless families. The HTF is funded by an assessment of the percentage of new business booked by Fannie Mae and Freddie Mac. Regulation requires that 100 percent of the fund must support ELI households if the total fund balance is less than \$1 billion or 75 percent if the fund is greater than \$1 billion. Currently the fund balance is \$174 million.

States are funded through a formula allocation based on the shortage and availability of rental properties to Extremely Low Income (ELI) and Very Low Income (VLI) households with a state minimum of \$3 million. North Dakota received an allocation of \$3 million.

HTF can be used to support activities to produce, preserve and rehabilitate affordable rental housing and up to one third of the fund can be used for operating cost assistance for the project. Properties receiving housing trust funds must commit to at least a thirty year affordability period.

NDHFA is responsible for the administration of the HTF for the State of North Dakota, including the development of an Annual Allocation Plan (the Plan) which defines the process by which HTF funds are distributed to qualifying properties throughout the state. The Plan will promote the selection of those properties which serve to address the most crucial needs of the state within the priorities outlined in the North Dakota Consolidated Plan, as well as the relevant strategies identified in North Dakota's 10-Year Plan to End Long Term Homelessness:

North Dakota Consolidated Plan Housing Strategies

- Preserve and improve the quality and condition of the existing rental and owner-occupied housing stock through the rehabilitation of lower-income, disabled, and elderly households.
- Fund homeownership opportunities for lower income residents.
- Provide funding to increase the supply of multifamily housing.

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North Dakota's 10-Year Plan to End Long Term Homelessness: Relevant Strategies

- Develop permanent supportive housing.
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Projects selected must meet the state's priority housing needs identified above, but also the Allocation plan must give priority for funding based on the following factors:

- geographic diversity
- the extent to which rents will be affordable, especially for ELI households,
- the length of time rents will remain affordable,
- the merits of an applicant's proposed activity. (The interim rule offers as examples of merit: housing accessible to transit or employment centers; housing that includes green building and sustainable elements, and housing that serves people with special needs.)
- the use of other funding sources, and
- the applicant's ability to obligate HTF dollars and undertake funded activities in a timely manner.

The Housing Trust Fund plan was developed based on feedback from a stakeholder survey and public forum held in February, 2016. Stakeholders from the development community, housing authorities, homeless coalition and human services indicated a priority concern to serve the needs of the most vulnerable populations in the state. Those populations at risk of or facing homelessness as well as frail elderly. Following the forum an initial draft plan was crafted and the Agency held a public hearing on the plan on May 6th, 2016. Comments from the hearing were taken and a final draft plan was written. The Agency then held a second round of public input consisting of a thirty day public comment period and a hearing held on June 29, 2016. In addition to staff, there were four participants in the second hearing; two tribal representatives, one developer, and one representing human services. One written comment was received prior to the hearing and incorporated into the discussion. A substantial portion of the discussion and comments was regarding clarification of regulatory requirements and did not affect the final draft of the plan. A summary of additional comments is provided below.

Discussion was held regarding recognizable costs (page 4) where by one commenter suggested converting recognizable costs into a point category to award projects with lower per-unit costs. Another commenter expressed the concern that, in an effort to capture points, developers may sacrifice quality for lower per-unit costs. A commenter pointed out that permanent supportive housing projects typically have higher per-unit costs. A commenter stated that, in some cases, additional money spent up front for quality results in lower maintenance fees in the future. No changes were made to the plan as a result of the discussion. The existing cost target section of the plan, the limits of which were copied from the state's HOME program, will serve to contain costs without sacrificing quality. Staff agreed that funding permanent supportive housing projects is a priority of the Housing Trust Fund and those projects could be at a disadvantage to non-supportive projects if it were a point category.

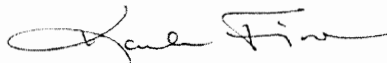
One written comment and one participant comment requested the Agency add a 20 percent set-aside for tribal applications. The written comment indicated the HTF's intent to target extremely low income and very low income families, of which a large percentage of the tribal population fits.

As a result of the comments and feedback provided, a 10 percent set-aside was added to the plan. A factor that contributed to the amount of the percentage was that the HTF plan gives preference to applications that target a greater number of extremely low income units and/or that target permanent supportive housing. As previously mentioned, the comments requesting the set aside indicated that tribal applications can target a large percentage of extremely low income households. Scoring comparisons were conducted and analyzed finding that tribal applications score competitively with non-tribal applications without additional incentives. Finally, the ten percent set-aside provides consistency with the Federal LIHTC QAP. Refer to Section VI. Set-Aside on page fourteen of the attached plan. A copy of the scoring comparison developed is also provided in a separate attachment.

Staff is now working with the Department of Commerce, Division of Community Services, to complete the process of submitting the final draft plan to HUD for final approval. The plan will be incorporated as a substantial amendment to the State's Consolidated Plan. Deadline for submission is August 15, however staff anticipate the submission to occur by the end of July. Following submission, HUD has forty-five days to review and approve the plan. The plan is scheduled for publication in final draft form by August 1, 2016 keeping the timeline on track to hold an application round in September and conditional commitment announcements in November, 2016.

Being no further Housing Finance Agency business, Governor Dalrymple adjourned this portion of the meeting at 2:25 p.m. and the Commission took up Department of Mineral Resources business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also
Present: Lynn Helms, Department of Mineral Resources
Bruce Hicks, DMR – Oil and Gas Division
Alison Ritter, DMR – Oil and Gas Division
Hope Hogan, Attorney General's Office
Jason Nesbit, Governor's Office
Jessica Pfaff, Agriculture Department
Members of the Press

Governor Dalrymple called the Department of Mineral Resources portion of the Industrial Commission meeting to order at 2:25 p.m. following completion of Housing Finance Agency business.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 the Industrial Commission close the meeting to the public and enter executive session for the purpose of attorney consultation on pending adversarial administration proceedings involving Case Nos. 24683 and 24685. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Governor Dalrymple said "I remind the Commission members and those present in the executive session that the discussion during executive session must be limited to the announced purpose for entering into executive session which is anticipated to last approximately 20 minutes".

The Commission is meeting in executive session to consult with the Commission's attorney regarding the previously identified adversarial administrative proceedings. Any formal action by the Commission will occur after it reconvenes in open session.

Commission members, their staff, employees of the Department of Mineral Resources and counsel with the Attorney General staff will remain but the public is asked to leave the room.

The executive session will begin at 2:27 p.m. When the executive session ends the Commission will reconvene in open session."

At 2:27 p.m. the Commission entered into executive session for purposes of attorney consultation regarding pending adversarial administrative proceedings.

EXECUTIVE SESSION

Members Present:

Governor Jack Dalrymple
Attorney General Stenehjem
Agriculture Commissioner Doug Goehring

Department of Mineral Resources Personnel Present:

Lynn Helms Department of Mineral Resources Director
Bruce Hicks Department of Mineral Resources Oil and Gas Division Assistant Director
Alison Ritter Department of Mineral Resources Public Information Officer

Others in Attendance:

| | |
|--------------|--|
| Hope Hogan | Assistant Attorney General, Office of the Attorney General |
| Jason Nesbit | Governor's Office |
| Jessie Pfaff | Agriculture Department |

No action was taken during the Executive Session which was adjourned at 2:48 p.m. and the Commission returned to open session and the public was invited to return to the meeting.

Governor Dalrymple reconvened the open portion of the meeting at 2:48 p.m. He stated that the Commission had consulted with its attorney regarding Case Nos. 24683 and 24685 and no specific action had been taken by the Commission at this time. The Commission had provided to its attorney guidance regarding the settlement of the pending two cases.

Mr. Helms presented Order 27595, Case 24500 in response to a Petition for Reconsideration. (A copy of proposed Order 27595 is available in the Commission files.) He said last month the Commission approved Order 26866 regarding the temporary abandoned status of a well in the Dance Creek Field. The well had been temporarily abandoned for 15 years and a surface landowner had questioned the temporary abandoned status of the well. A hearing had been held in December 2015 and the operator was given until the end of May to file certain information to justify their request to keep the well in temporary abandoned status. The operator did not file any of that information so last month the Commission signed Order 26866 revoking the temporary abandoned status of the well. The Commission immediately got a petition for reconsideration with the information that had been requested. The operator has gotten an oil and gas lease from everybody in that quarter section and they have submitted a plan to drill the well. It is the staff's recommendation that the Commission reconsider this case, allow the operator to put the information in the record and then, based on that information, the Commission take another look as to whether the temporary abandoned status should be extended and for how long.

In response to a question, Mr. Helms said the operator is relatively new in the State and they are the sixth owner of this particular well. The operator wants to re-enter the well and drill it horizontally.

Case 24500: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27595 issued in Case 24500 grant the petition for reconsideration of Commission Order 26866 and extend the temporarily abandoned status of the well to allow for a hearing to be held on August 24, 2016 and the submission of additional information be approved this 26th day of July, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms presented orders for the following cases heard on March 23 and June 22, 2016: (Copies of the proposed orders are available in the Commission files.)

Case 24892, Order 27283 - determination of appropriate spacing – He said this is a case involving a very complicated drilling situation along the Canadian border. (He passed out a map which is available in the Commission files.) He indicated that in this area there are three 800-acre spacing units right along the Canadian border with three 1,280-acre spacing units right south of them and over the top of each of those is a 2,080-acre spacing unit allowing for the drilling of long wells or a dual lateral wells to cover the whole area. The Commission approved the 2,080-acre overlapping spacing units to decrease the footprint of the development in this area. Bakken Hunter came in and drilled a short well right in the north center up to the Canadian border and never drilled any other wells. That well was drilled as a 2,080-acre well and the staff does not believe that is appropriate because the mineral owners to the south are getting more of the royalties than the mineral owners where the well is located. The staff put it on the docket to consider the appropriate spacing and the proposed

order states that the appropriate spacing is 800 acres. It is a little complicated because Bakken Hunter who operates the 800 acre spacing units is in bankruptcy, Sampson who operates the 1,280 spacing units is in bankruptcy and nobody is going to do anything here for a while. That is why it is really important to make sure that the wells are paying royalties on the proper spacing and that the royalty owners' correlative rights are being protected. He noted that there was some opposition in this case. Hunt Oil, who is not in bankruptcy, invested in this well on the 2,080 acre basis and under this proposed order will be spaced out. The staff believes that is a matter for the courts to deal with; there was no joint operating agreement. It should be up to the district courts to sort out on how Hunt Oil gets their money back from Bakken Hunter. He thinks the matter before the Commission is to prevent waste and protect correlative rights and that is best done by spacing the well on an 800-acre spacing unit.

In response to a question Mr. Helms indicated that this order is only dealing with the one 2,080 acre spacing unit as it is the one before the Commission. The proposed order leaves the other units alone at this point.

Mr. Hicks did note that the proposed order does outline the sequence of how wells would need to be drilled to develop the offsetting 2,080 spacing units to prevent this situation from occurring in the future.

Case 24892: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27283 issued in Case 24892 be approved this 26th day of July, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 24898, Order 27598 - request for vapor testing at a central location – Mr. Helms stated this is the Commission's first request for a central oil conditioning facility. Oasis Petroleum is requesting approval of a central oil conditioning facility in conjunction with their Wild Basin Gas Plant. That facility will connect to Johnson Corner by a Public Service Commission approved pipeline. (Copies of the maps showing the location of the facility and the pipeline are available in the Commission files.) He said oil would reach this conditioning facility four different ways:

- Oasis wants to bring their oil into the facility by steel pipeline and not condition it at the well pads but bring it in through higher pressure steel pipeline and condition it centrally;
- Oasis wants to be able to connect third party wells by steel pipeline;
- Oasis wants to be able to truck in their own oil; and
- Oasis wants to be able to truck in third party oil.

The proposed order takes into account all four of those situations and approves this facility with the requirements that Oasis must file certain administrative information and must obtain well by well approval to connect those wells or bring the oil from those wells to this facility to be centrally conditioned. He noted that this is a very gassy area of the Williston Basin; the oil has a very high gravity and Oasis believes having a central oil conditioning facility is more economic. In order to get the best price they also need to be able to bring in lower gravity oil and blend it. He stated that staff is recommending approval of the central conditioning facility. This would be the only place that Oasis would be testing the vapor pressure of the oil that leaves this facility to make sure it meets the requirements of the State. For third party oil that is being trucked in it will need to be in compliance with Order 24517 when it leaves that lease.

In response to a series of questions, Mr. Helms indicated that approximately 20,000 barrels of oil or 100 truckloads would be trucked per day even after all the pipelines are built. The long term plan is to bring 35,000 barrels of oil per day by pipeline and 100 truckloads per day for blending and conditioning.

In response to a question Mr. Helms said the proposed order requires that the oil that comes by truck must meet the vapor pressure test or the operating conditions of Order 24517 at the well site before it goes into a truck and is transported to the central site. If it comes in by pipe it can come here directly because it is going to be treated at

the central facility. They need the trucks with oil so they can blend the oil to get a specific gravity to sell the oil at the maximum price.

Case 24898: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27598 issued in Case 24898 be approved this 26th day of July, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25077, Order 27597 - exception location – Mr. Helms provided maps displaying the circumstances in this case. (Copies of the maps are available in the Commission files.) Mr. Helms stated that this was a case where QEP drilled a section line well and went outside the 500 foot wide corridor. There is disagreement over how much of the well bore went into Conoco Phillips's spacing unit. QEP believes the well bore went seven feet into Conoco Phillips spacing unit for 480 feet and that they may have recovered 700 barrels of reserves from the other spacing unit. Conoco Phillips believes that the well bore was about twelve feet into their spacing unit for over 600 feet and that it is possible they produced 26,000 barrels of their oil. Mr. Helms noted, however, that is not the issue before the Commission today. The question before the Commission is whether to allow QEP to produce this well. Proposed Order 27597 states that they can produce the well. To do otherwise would be considered waste. In regards to protecting correlative rights this order says that if anybody who is a mineral owner or working interest owner has evidence that the Conoco Phillips Stafford well is being affected by the Forman well they can bring a case before the Commission to determine compensatory royalties. The Commission would hear the case and decide at that time based on the information if there should be compensatory royalties--that issue was not part of this application.

In response to a question regarding how you would prove that, Mr. Helms said it would be necessary for them to show that when this well was fractured their well went down for a while and they had to do some work on it or that their well was flowing at a certain pressure and production curve and that this well decreased their production curve – something along those lines. That should be a separate hearing and a separate case – this was not a compensatory royalty hearing. The case before the Commission was whether or not QEP can produce this well even though it went outside the spacing.

Mr. Helms stated Conoco Phillips would like to see QEP face some consequences for their error and there have been some already from the standpoint of requiring QEP to come in for a hearing. The other consequence is that this may be looked at by the Commission and by Conoco Phillips and if a case is made for compensatory royalties, QEP will have to pay it.

The Commission noted that this case raises the question of when is it consequential and that a well should not be allowed to produce--if the operator went over a few hundred feet into the neighboring spacing should the Commission do something different. In that case if they caused damage to another operator's well, they would probably be in court paying for those damages plus an additional amount.

Mr. Helms said there have been cases when somebody fractured a well and it damaged or ended the productive life of the offset well – that would be a case where there clearly was compensatory royalties due. There have also been cases where a well like this when it was hydraulically fractured made the neighboring well better. This one is so close to the margin that there would need to be a separate hearing.

Case 25077: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27597 issued in Case 25077 be approved this 26th day of July, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25092, Order 27599 - risk penalty – (A copy of the handout is in the Commission files.) He said this case involved a request from a mineral owner--Lois Wiedmer--asking that the Commission not allow Liberty Resources Management Company, LLC (Liberty) to assess a risk penalty against her. The case was put on the docket and Liberty came and demonstrated very clearly that they had made a good faith offer to lease the minerals and also had followed the proper procedures to allow her to participate in the well and she turned down both offers. The proposed order allows Liberty to assess the risk penalty.

Case 25092: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27599 issued in Case 25092 be approved this 26th day of July, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms discussed draft comments on EPA Draft Information Collection Request for the Oil and Natural Gas Industry - Requires oil and natural gas companies to provide extensive information needed to develop regulations to reduce methane emissions from existing oil and gas sources and seeks information on innovative strategies that can accurately and cost-effectively locate, measure and mitigate methane emissions. (A copy of the draft comments is available in the Commission files.) Mr. Helms explained that this is the remaining part of the EPA effort to reduce methane emissions. The Commission commented on the earlier rules and has filed a Petition for Review on the final rules. What is being proposed is an information request that EPA plans to send out in October on existing sources. He stated that it is important that the Commission comment by August 2, 2016 at 5 p.m. although the information request doesn't at first appear to directly interfere with the Commission's jurisdiction. He noted that the survey is to be sent to 22,500 operators nationwide to be filled out and returned within 30 days. EPA has indicated that the operator can read the instructions in 15 minutes; fill it out in 4 hours; have the manager spend 15 minutes reviewing it and send it back at a cost of \$40 million to the industry. Then EPA is going to follow it up with a Part 2 survey that is even longer.

In response to questions, Mr. Helms stated that the amount of time to process the survey was determined by EPA. It was his assessment that it would take four times that long and cost \$150 to \$200 million and that EPA's review of the survey information won't just cost EPA \$1,000,000 (the EPA estimate) but would be between \$4 million to \$10 million.

Mr. Helms noted some of the following items that appeared to be outside the scope of what EPA stated that they are trying to do and impinge on matters that fall under the Commission's jurisdiction:

- How is the produced water managed?
- Is the land owned or leased where the facility is located?
- What is the well depth?
- What is the length of the well?
- What is the shut-in pressure?
- What is the casing diameter?
- What is the tubing diameter?
- What is the re-vapor pressure of the fluids that are coming out of the well?

Mr. Helms indicated that Part 2 of the Survey asks 580 questions and only 15 of them are to the point of trying to find out what operators are actually doing to control methane emissions. In the draft comments he is recommending how EPA could modify the survey to make it acceptable.

Governor Dalrymple suggested that the Commission's attorneys look at the survey and determine if it is even within the intent of a Section 114 Information Request and if appropriate object to it on that premise. Then if the Commission wants to comment and make some suggestions on modifying the survey they could do so.

Mr. Helms said Ms. Hogan has not gone over the draft comments yet but EPA maintains in the introduction that under the Clean Air Act they have the authority to do Section 114 Information Requests to oil and gas operators. He stated he would work with the attorneys and propose revisions to the draft comments that would include language on the legality of the surveys and then if the EPA is going to go ahead with it provide comments on the information requests.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission, subject to final approval being granted by signature, submits the following comments due by August 2, 2016 regarding the EPA Draft Information Collection Request for the Oil and Natural Gas Industry - Requires oil and natural gas companies to provide extensive information needed to develop regulations to reduce methane emissions from existing oil and gas sources and Request for Information to seek information on innovative strategies that can accurately and cost-effectively locate, measure and mitigate methane emissions. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously. (The following comments were signed by the Commission and submitted on August 2, 2016.)

August 2, 2016

EPA Docket Center (EPA/DC)
Environmental Protection Agency
Mail Code 28221T
1200 Pennsylvania Ave. NW.
Washington, DC 20460.

Docket ID No. EPA-HQ-OAR-2016-0204 “Information Collection Effort for Oil and Gas Facilities” (EPA ICR No. 2548.01, OMB Control No. 2060-NEW)

Dear Environmental Protection Agency (“EPA”) officials:

The North Dakota Industrial Commission (“NDIC”) appreciates this opportunity to comment on the proposed information collection effort.

The State of North Dakota is ranked 2nd in the United States among all states in the production of oil and gas. North Dakota produces approximately 430 million barrels of oil per year and 585 billion cubic feet of natural gas per year.

The NDIC, Department of Mineral Resources, Oil and Gas Division administers North Dakota’s comprehensive oil and gas regulations found at N.D. Administrative Code Chapter 43-02-03. These regulations include regulation of the drilling, producing, and plugging of wells; the restoration of drilling and production sites; the perforating and chemical treatment of wells, including hydraulic fracturing; the spacing of wells; operations to increase ultimate recovery such as cycling of gas, the maintenance of pressure, and the introduction of gas, water, or other substances into producing formations; disposal of saltwater and oil field wastes through the ND UIC Program; and all other operations for the production of oil or gas.

It is our position that portions of this Information Collection Request (“ICR”) under Section 114 of the Clean Air Act (“Act”) are an overreach of the power granted to the EPA Administrator (“Administrator”) under the Act. The Act allows the Administrator to require any person who owns or operates any emission source, who has information necessary for administering the Act, to make reports, and provide other information as the Administrator may reasonably require. The information requested by the EPA in the Section 114 request goes beyond a reasonable request by the EPA, requiring operators in all states to perform the California Environmental

Protection Agency Resources Board Test Procedures in part 2 of the ICR and requesting superfluous information such as the distance from a facility to the field office in part 1 of the ICR. We request that the request for information be reduced in scope, and that EPA provide a longer completion period so companies can issue an appropriate response.

The proposed ICR and any enforcement actions that may follow could impact North Dakota's ability to administer its oil and gas regulatory program. The State of North Dakota intends to defend its sovereign jurisdiction over oil and gas regulation in any manner necessary.

The NDIC's specific comments and recommendations are as follows:

Operators will be required to complete the part 1 survey and provide equipment counts for all production facilities that they operate except for facilities selected to complete part 2. The potential respondent universe consists of 22,500 operators for part 1 representing approximately 698,800 facilities. The estimated burden and cost to the industry is 227,923 hours and \$40,149,494.

The part 2 burden estimates are based on mailing out 4,505 part 2 questionnaires and receiving 3,385 responses from industry respondents.

The Agency estimates that it will require 1 hour to review and analyze each part 2 response.

The Agency estimates that it will require 0.25 hours to review and analyze each part 1 response.

The estimated agency burden and cost are 17,947 hours and \$960,793, which includes \$144,618 in O&M costs to send certified Section 114 letters to all respondents selected for part 1 and part 2 surveys with electronic return receipt.

Based on the time required by NDIC personnel to understand and comment on the proposed ICR, the estimated industry time and cost burden in Attachment 3A and the Agency time and cost burden in Attachment 4 have been grossly underestimated by a factor of 2 to 4.

EPA statistical calculations presented in the supporting statement show that statistically reliable information could be acquired with one-seventh to one-fifth as many surveys.

The proposed surveys request information on items outside of the EPA's regulatory authority under the Clean Air Act—such as management of produced water, land ownership, well depth, well length, shut in pressure, casing diameter, and tubing diameter as well as information that is not applicable such as Reid Vapor pressure of feed material.

The EPA anticipates issuing the Section 114 letters by October 30, 2016. These Section 114 letters would require the owner/operator of an oil and gas facility to complete the part 1 survey within 30 days of receipt of the survey.

Based on the time required by NDIC personnel to understand and comment on the proposed ICR, the response time has been underestimated by a factor of 2 to 4.

Part 2, referred to as the detailed facility survey, will be sent to selected oil and gas facilities (production, gathering and boosting, processing, compression/transmission, pipeline, natural gas storage, and LNG storage and import/export facilities) based on statistical sampling method described in part B of

this Supporting Statement. Part 2 will collect detailed unit-specific information on emission sources at the facility and any emission control devices or management practices used to reduce emissions.

The data collected from parts 1 and 2 will be used to determine the number of potentially affected emission sources, the types and prevalence of emission controls or emission reduction measures used for these sources at oil and gas facilities nationwide, and potential costs for those measures and controls. Due to the large number of potentially affected sources in most of the industry sectors, a statistically significant number of facilities from each sector will be surveyed to collect this information and fill data gaps for setting emission limits and evaluating the emission impacts of various regulatory options for standards of performance for oil and gas facilities.

This information is needed to understand the types of control systems used at existing facilities, the prevalence of use, and the emissions reductions that can be achieved through alternative regulatory strategies for existing sources.

Analysis of Attachment 2D reveals that only 15 of 580 requested items apply to the stated mission of the ICR.

Attachment 2F will require extensive sampling and analysis of feed material which was not included in time and cost estimates in any states except California.

The North Dakota Industrial Commission recommends the following:

- 1) Reduce the scope of the proposed ICR by performing it in three parts as follows:
 - a. ICR 1 should consist of Attachment 1A name, address, contact, number of facilities, and number of producing wells, and should be sent to all 22,500 operators. No less than 60-120 days should be allowed for operators to complete and return the survey.
 - b. ICR 2 should consist of Attachment 1A parts 1-3 and should be sent to a statistically representative number of operators based upon an evaluation of ICR 1. No less than 180 days should be allowed for operators to complete and return the survey.
 - c. ICR 3 should consist of Attachment 2D; Attachment 2E parts 3 and 4; Attachment 2F parts 1, 2, 3, 5, and 6; Attachment 2G, Attachment 2I, Attachment 2J, Attachment 2K, Attachment 2L, and Attachment 2M and should be sent to a statistically representative number of operators based upon an evaluation of ICR 2. No less than 180 days should be allowed for operators to complete and return the survey.
- 2) All requests for information outside the scope of EPA's jurisdiction authority under the Clean Air Act should be eliminated such as the management of produced water, land ownership, well depth, well length, shut in pressure, casing diameter, and tubing diameter as well as information that is not applicable like Reid Vapor pressure of feed material.
- 3) Eliminate Attachment 2G part 1; Attachment 2H; Attachment 2I parts 2 and 4, Attachment 2J part 2.

Sincerely,

North Dakota Industrial Commission

Jack Dalrymple, Chairman
Governor

Wayne Stenehjem
Attorney General

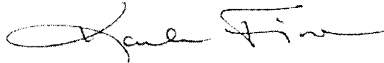
Doug Goehring
Agriculture Commissioner

Minutes - Page 9
July 26, 2016

Mr. Helms said after the Commission signed Order 27519 last month on July 11 Black Hills Trucking filed a motion to not have to post the \$45,000 supersedeas bond so it appears that they are going to fight this matter every inch of the way.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 3:22 p.m. and the Commission took up Oil and Gas Research Council business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in cursive script, appearing to read "Karlene Fine".

Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also
Present: Jason Nesbit, Governor's Office
Jessica Pfaff, Agriculture Department
Brent Brannan, Oil and Gas Research Council
Ron Ness, ND Petroleum Council
John Harju, EERC
Paul Andrus, Blaise Energy
Mark Wald, Blaise Energy
Arkkaby Malakhor, Novorocs
Lynn Helms, Department of Mineral Resources
Bruce Hicks, DMR – Oil and Gas Division
Alison Ritter, DMR – Oil and Gas Division
Members of the Press

Governor Dalrymple called the Oil and Gas Research Council portion of the Industrial Commission meeting to order at 3:23 p.m. following completion of Department of Mineral Resources business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the Oil and Gas Research Fund financial report as follows:

Oil and Gas Research Fund
Financial Statement
2015-2017 Biennium
July 25, 2016 Oil and Gas Research Council Meeting

| | <u>Cash Balance</u> |
|---|-------------------------|
| July 1, 2015 Balance | \$ 4,419,836.98 |
| Revenues through May 31, 2016 (2% State's share of oil taxes) | \$ 9,605,900.97 |
| Revenues from Abandoned Well Fund | \$ 2,000,000.00 |
| Revenues from interest income & grant applications | \$ 4,388.98 |
| Transfer to the Pipeline Authority Fund | \$ (200,400.00) |
| Expenditures through May 31, 2016 | <u>\$(3,703,499.20)</u> |
| | \$12,126,227.73 |
| Outstanding Administration Commitment* | \$ (407,382.54) |
| Outstanding Commitments on Legislative Studies | \$(1,300,000.00) |
| Outstanding Project Commitments as of May 31, 2016 | <u>\$(6,835,993.65)</u> |
| Balance | \$ 3,582,851.54 |

Oil and Gas Research Fund
Continuing Appropriation Authority
2015-2017 Biennium

| | |
|---|------------------------|
| Uncommitted Balance July 1, 2015 | \$ 759,360.59 |
| Carried Over Unused Administration Allocation | \$ 72,009.72 |
| Projected Income from Project Applications & Interest | \$ 20,000.00 |
| Revenues (2% of State's Share of Oil Tax Revenues) | \$10,000,000.00 |
| Transfer from the Abandoned Well Fund for two studies | <u>\$ 2,000,000.00</u> |
| | \$12,851,370.31 |
| Transfer to Pipeline Authority | \$ (200,400.00) |

| | |
|--|--------------------------|
| Administration Commitment* | \$ (522,909.72) |
| Approved Project Commitments 2015-2017 | \$(1,338,559.00) |
| Legislative Mandated Studies | \$ (2,000,000.00) |
| Carried over Project Commitments for 2015-2017** | <u>\$ (4,796,940.00)</u> |
| Available Funding | \$ 3,992,561.59 |

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

*This includes the remaining amount of \$39,356.50 owed on the NDSU Workforce Study and Legislative Mandated \$100,000 Natural Gas Study

**This amount includes research/education funding carried over from prior biennia for:

Contract G-028-058 with \$1,100,000 to be expended in the 2015-2017 biennium;

Contract G-030-060 with \$3,027,250 to be expended in the 2015-2017 biennium;

Contract G-034-065 with \$669,690 to be expended in the 2015-2017 biennium.

Mr. Brent Brannan, Oil and Gas Research Program Director, discussed the Oil and Gas Research Council recommendations on the following four Grant Rounds 39 and 40 applications.

He indicated that the first application is “ThermoFlo, a novel technology for complete on-site remediation of organically contaminated solids”; Submitted by Drake Water Technologies; Project Duration: 4 months; Total Project Cost \$671,095; Request for: \$329,000 (A copy of the application is available in the Commission files.) He explained the project as follows:

Purpose of the Project:

The objective of this project is to construct a mobile ThermoFlo pilot unit for deployment to a site in North Dakota for demonstration of onsite cleanup of contaminated soils and solids, i.e. Special Waste. This means that clean solids may be left on-site and quench water may be re-used in the makeup of drilling mud, eliminating the necessity for specialty packaging of waste materials, the use of flyash for stabilization, truck transport of the waste, and waste deposition in secure landfills. Results of this project will be the construction, shakedown testing, deployment, and demonstration of a mobile 4 to 6 t/hr ThermoFlo pilot unit to treat hydrocarbon contaminated solids at an approved drilling site in North Dakota. Following successful demonstration, which will include analysis of pre-and post-treated materials, it is anticipated that the ThermoFlow unit will be the basis for the commercialization of technology in North Dakota. This is a cradle to grave process.

Additional Participants:

National Oilwell Varco (NOV – Houston, TX, Denver, CO, Dickinson, ND)

Zavanna, LLC – Denver, CO is providing a pilot test site

Technical Reviewers’ Recommendations:

- **One** technical reviewer recommended that the OGRC **Fund** this project
- **Two** technical reviewer recommended that the OGRC **Consider Funding** this project

Director’s Recommendation:

To Fund in the amount \$329,000 contingent upon information on the North Dakota pilot site and the applicant addressing concerns from the technical review team. At the OGRC meeting, the applicant provided additional information on the issues raised by the Technical Reviewers.

Conflicts of interests: 1 - Kummer **Council vote** 4 yes; 1 nay – 2 absent and not voting

In response to a question about the catalytic oxidation process, Mr. Helms stated they have to use fuel to bring it up to temperature and then it is self-sustaining just from the organics that are in the contaminated materials--drill cuttings or whatever. They have never processed all the drill cuttings from a well so they don't know how it responds to that variation and they have only done a bench test unit. This is a completely different process than boiling the diesel fuel off--this one actually oxidizes everything and they have a really unique way of applying the quench water that takes the chlorides away. The end product they believe will be as good as gravel to be used to surface well pads or road surface or anything like that--low sodium chloride with undetectable hydrocarbon.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council's recommendation to fund the grant application "ThermoFlo, a novel technology for complete on-site remediation of organically contaminated solids" and to authorize the Industrial Commission Executive Director and Secretary to execute an agreement with Drake Water Technologies to provide a total of Industrial Commission Oil and Gas Research funding in an amount not to exceed \$329,000 contingent upon confirmation of an approved North Dakota pilot site. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Brannan presented the next project -- "Refrac Pilot"; Submitted by Whiting Petroleum Corporation; Project Duration: 1 month; Total Project Cost \$1,300,000; Request for: \$600,000 (A copy of the application is available in the Commission files.) He explained the project as follows:

Purpose of the Project:

Whiting Oil & Gas Corporation (WOGC) assembled multidisciplinary teams comprised of a Geologist, Completions Engineer, Production Engineer, Reservoir Engineer and Landman for seven different prospect areas across the Williston Basin. Teams were charged with the task of evaluating each well for its refrac potential. The technical teams have assembled their top candidates, and WOGC will start with refracturing the TWO SHIELDS BUTTE 14-33-6H well to unlock reserve potential that is thought to have been bypassed during the initial completion. This well was completed in May, 2009, with only 6 Frac Stages and 929,000 lbs. of proppant, which calculates to only 600 lbs. proppant per lateral foot of wellbore, and a stage spacing of 700' per stage. Although considered an adequate completion at the time, the well is surrounded by subsequent wells with enhanced completions that yield far better results. This well represents the first of ten wells in WOGC's Refrac Pilot program – learning from this well will be carried forward and applied to the other nine candidates.

The ultimate standard of success for the proposed Refrac Pilot will be the economic outcome of the project, and how well the techniques used translate to additional candidates. After the refrac is complete, WOGC will closely monitor the performance of the TWO SHIELDS BUTTE 14-33-6H well and make any operational adjustment necessary to ensure the well produces at its optimum potential. Well tests will be taken at regular intervals (at least monthly) to gauge the production performance. Through regular reports to the WOGC, along with a detailed final report, other operators in the Williston Basin will be able to apply the lessons learned from WOGC's proposed Refrac Pilot and begin to unlock potential in their respective inventories of older wells. The eventual result will be an overall enhancement of production and reserve recovery across the Williston Basin.

The Commission is being asked to fund \$600,000 of the \$1,300,000 estimated cost for the proposed refrac of the Two Shields Butte 14-33-6H well.

Technical Reviewers' Recommendations:

- **One** technical reviewer recommended that the OGRC **Fund** this project
- **One** technical reviewer recommended that the OGRC **Consider Funding** this project
- **One** technical reviewer recommended that the OGRC **Do not Fund** this project

Director's Recommendation:

Fund in the amount of \$600,000 contingent on:

- Applicant providing more detail on the specific reasons why the initial well was chosen over other potential candidates;
- Applicant providing quarterly reports on the first well for the first year and a final report at the end of the year;
- Applicant providing data and analysis from all 10 wells in the Refrac Pilot Program as each of the other 9 wells are refractured and the data analysis has been completed -- at a minimum a semiannual report on each of the wells in the 10-well pilot project. One possible alternative is to have the information made available as part of the EERC Bakken Optimization Program.

Conflicts of Interest: 1-Kopseng **Council Vote:** 5 yes; 0 nay – 2 absent and not voting

In response to a question Mr. Helms indicated that the operator will be using the existing wellbore which had six stages in it and add two perforation clusters to each one of those stages as close to the isolation packers as they can get to pump diverter stages to close off temporarily the original fracture and then use a novel frack fluid to open up new fractures. The wellbore has sliding sleeves and they will perforate each side of that sleeve for the new fracture creation. They have already done five candidates and were successful with a couple of them.

Mr. Helms noted that one of the concerns of the Council was to just do one well you might be successful or fail and you don't know if that was representative because that well was their best candidate. The feeling was that by funding this and working through the Bakken Optimization and getting information from all 10 wells the Council/Commission will get better data.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council's recommendation to fund the grant application "Refrac Pilot" and to authorize the Industrial Commission Executive Director and Secretary to execute an agreement with Whiting Petroleum Corporation to provide a total of Industrial Commission Oil and Gas Research funding in an amount not to exceed \$600,000 contingent upon the following:

- **Applicant providing more detail on the specific reasons why the initial well was chosen over other potential candidates;**
- **Applicant providing quarterly reports on the first well for the first year and a final report at the end of the year;**
- **Applicant providing data and analysis from all 10 wells in the Refrac Pilot Program as each of the other 9 wells are refractured and the data analysis has been completed -- at a minimum a semiannual report on each of the wells in the 10-well pilot project. One possible alternative is to have the information made available as part of the EERC Bakken Optimization Program.**

On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Helms indicated that they believe there are 8,000 older Bakken wells that this could apply to and at the Williston Basin Conference this was the hot topic--the room was packed when this was talked about.

Mr. Brannon presented the third application -- "UAS Aerial Observation to Support Oil & Gas Pipeline Post Construction Restoration Efforts"; Submitted by ISight RPV Services; Project Duration: 3 months; Total Project Cost \$39,400; Request for: \$19,700 (A copy of the application is available in the Commission files.) He explained the project as follows:

Purpose of the Project:

ISight RPV Services and the Unmanned Application Institute – in collaboration with ONEOK, Barr Engineering and the Public Service Commission – will provide high fidelity/clarity images for use in developing signature images of potential problem areas in the creation of an image library for ONEOK's use in restoration activities (focused on the Bear Creek Pipeline, McKenzie County), reducing costs and increasing pipeline construction

environmental restoration. Initial flights will capitalize on ground-based surveys and manned flights (conducted by ONEOK) as a baseline, with ongoing unmanned flights (to be conducted over a three-month period) to provide “change detection” of potential problem areas and establish a framework for post reclamation/ restoration monitoring and planning. ISight and UAI will compile and translate data, and provide ONEOK with an informative report outlining findings and quantitative data.

ISight RPV Services will conduct aerial surveillance utilizing Altavian Nova 6500 and DJI Inspire aircraft and enhanced (4k) optical imaging, near infrared, thermal and NDVI imaging systems to develop an image library of the Bear Creek construction site.

This process will help in planning and documenting the restoration efforts during construction phase and provide on-site evaluation of ecosystems functions that need to be maintained or restored. This data will be compiled and utilized in this post construction restoration efforts and a best practices document will be developed for future efforts focused on remediation and restoration efforts associated with oil and gas projects including pipeline construction and other oil field activities.

Technical Reviewers’ Recommendations:

- **Two** technical reviewer recommended that the OGRC **Fund** this project
- **One** technical reviewer recommended that the OGRC **Consider Funding** this project

Director’s Recommendation:

Fund in the amount of \$19,700

Conflicts of Interest: None **Council Vote:** 5 yes; 0 nay – 2 absent and not voting

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council’s recommendation to fund the grant application “UAS Aerial Observation to Support Oil & Gas Pipeline Post Construction Restoration Efforts” and to authorize the Industrial Commission Executive Director and Secretary to execute an agreement with ISight RPV Services to provide a total of Industrial Commission Oil and Gas Research funding in an amount not to exceed \$19,700. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Brannon presented the fourth application -- “Wellhead Reformer for Electricity Production and Other Applications”; Submitted by Novorocs Technologies, LLC and Blaise Energy, Inc.; Project Duration: 12 months; Total Project Cost \$540,220; Request for: \$270,110 (A copy of the application is available in the Commission files.) He explained the project as follows:

Purpose of the Project:

The proposed project will demonstrate the economic and environmental benefits of reforming heavy hydrocarbon wellhead gas, as typically found in the Bakken, to pipeline quality natural gas for electricity and CNG production, and emissions reduction. (converting gas to methane). The project has the following objectives:

- Construct and demonstrate on a Bakken well site, provided by Halcon Resources, a reforming system that converts heavy hydrocarbon wellhead gas to pipeline quality natural gas using Novoroc’s proprietary selective catalytic reforming technology.
- Operate a natural gas generator provided by Blaise Energy on the resultant reformed stream at full power without engine knock.
- Clean and compress natural gas for use in a compressed natural gas vehicle as provided by Blaise Energy
- Demonstrate emissions reductions on a natural gas generator and natural gas burner, compared with direct combustion of wellhead gas and/or diesel fuel.
- Quantify and disseminate the operational, economical, and emissions benefits of reforming wellhead gas before utilizing it in subsequent applications.

Additional Participants:

University of North Dakota, Grand Forks, ND will assist with the engineering
Halcon Resources, Denver, CO - will provide one site with 5 test wells

Technical Reviewers' Recommendations:

- **One** technical reviewer recommended that the OGRC **Fund** this project
- **One** technical reviewer recommended that the OGRC **Consider Funding** this project

Director's Recommendation:

Fund in the amount of \$270,110

Conflicts of Interest: None

Vote by the Council was for funding in the amount of \$172,760: 3 yes; 2 nay; 2 absent and not voting

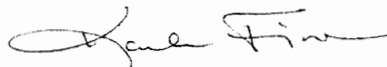
In response to a question, Mr. Helms indicated that this technology actually converts the ethane, propane, butane to methane--this process actually hydrocracks all those natural gas liquids into methane at the well site. The electricity then comes from burning the methane. So the methane is either going into a CNG process and being trucked away or is being burnt in a generator or a drilling rig. It is the opposite approach of what everybody else has been doing in taking the liquids out and selling them and then use the remaining methane to power the process. This converts everything to methane and burns it.

Ms. Fine pointed out that the Council's recommendation was for less than what had been requested -- a reduction in the amount of \$97,350 down to \$172,760--the Council did not recommend the funding of salary dollars which the applicant will need to provide.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council's recommendation to fund the grant application "Wellhead Reformer for Electricity Production and Other Applications" and to authorize the Industrial Commission Executive Director and Secretary to execute an agreement with Novorocs Technologies, LLC and Blaise Energy, Inc. to provide a total of Industrial Commission Oil and Gas Research funding in an amount not to exceed \$172,760. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Being no further Oil and Gas Research Council business, Governor Dalrymple adjourned this portion of the meeting at 3:40 p.m. and the Commission took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office
Jessica Pfaff, Agriculture Department
Jaret Wirtz, WAWSA (By Speakerphone)
Joel Erickson, Bank of North Dakota
Craig Hanson, Bank of North Dakota
Jason Bohrer, Lignite Energy Council
Members of the Press

Governor Dalrymple called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 3:53 p.m. following completion of Oil and Gas Research Council business and a short break.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the Western Area Water Supply Authority June financial report and debt reduction report as follows: (The complete report is available in the Commission files.)

RE: Western Area Water Supply Authority - Industrial Sales - June, 2016 & Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of June, 2016.

Page 1 prepared by the Bank of North Dakota, reflects debt service payments through the month of June, 2016. In June interest was paid on the two BND loans and two Water Commission loans and principal was paid on the \$40 million BND loan.

The next 3 pages (pages 2, 3 & 4) I prepared based on the information provided by WAWS staff reflecting June revenues and expenses and net income. On page 2 you will see there were no capital improvement disbursements (highlighted in orange). However, they did receive a refund in the amount of \$17,214.89 on a construction fee. The one principal payment made in June is highlighted in yellow. Net income for the month of June was \$196,329.69 before making their principal payment. No baseline sales payments were paid and those deferred costs are reflected on the line item titled Deferred Expense Asset. On Page 2 you see that the revenues in June went up to \$805,326.87. (As you will recall from the overall Debt Service spread sheet the breakeven sales monthly number is \$871,750 without the baseline sales payments.) Page 5 is the balance sheet prepared by WAWS staff as of June 30, 2016. As noted on the Balance Sheet the Accounts Receivables are \$1,669,796.66 which is included in the assets of \$4,159,247.91. Note: The assets include a deferred expense line item which reflects the deferred expenses for the Baseline Sales.

Mr. Jaret Wirtz, Western Area Water Supply Authority, said they had a lower month again in June. It was a little bit of a rebound from May. The good thing is they are seeing some frack water sales in July which will help the numbers for July. Although the numbers will be better they still are not at a level that they are comfortable with. They would like to get back to the two million dollar level per month and make sure all the debts are getting repaid. This is a start in the right direction and, hopefully, it will trend into the fall. There has been some talk of more companies bringing in frack crews and completing more wells this fall which should increase water sales.

Governor Dalrymple indicated he was pleased they were doing as well as they are in spite of the slowdown

In response to a question, Mr. Wirtz said the market is quite competitive in terms of pricing. The frack water sales they are providing right now in the Watford City area is a result of WAWS being able to offer a volume discount

of \$.60. The company will be utilizing WAWS water for a majority of the frack job. It is a large frack job and they have two different sources of water but they are trying to use WAWS water for a majority of it because it is better quality and WAWS can get a little bit more flow to them.

In response to a question, Mr. Wirtz said there were some water providers that were not pleased with WAWS offering the volume discount but for the most part it was all positive from the oil companies that tried to utilize it. Some just didn't have any fracking plans that would qualify them for much of a discount. A few companies did and contracts were signed. There has been some discussion of entering into multi-year contracts for some amount of guaranteed water sales at a lower price. That is something the WAWS Board will want to discuss with the Commission as those commitments will help secure sales in the future. He indicated this relates more to maintenance water contracts where the companies are making a significant upfront investment by putting in the infrastructure to hook up their well sites to the WAWS lines. In those cases they would like to see a lower price based on a volume commitment. There is a long payback period for the infrastructure costs made by the companies and they need to have a lower per barrel cost in order to make their capital investment pay off.

Commissioner Goehring said as soon as oil prices turn around and fracking picks up there will be enough business for everybody. He would hate to price our profit out of the business so soon until we get some more activity.

Mr. Wirtz agreed that the frack market and demand is still fluctuating so it may be hard to tie that into long periods of commitment. However, on the maintenance water side some of these companies may need some kind of price break to make it more appealing for them to spend that capital on projects that are going to connect their systems to the WAWS distribution lines.

Commissioner Goehring said he didn't disagree on the maintenance side but on the fracking side at some point there are going to be 1,000 wells that have to be fracked and there will be more than enough business for everyone.


In response to a question Mr. Wirtz stated that they stopped offering the volume discount pricing for water on May 31, 2016. Only those companies that had signed a contract before May 31 are allowed that discount. There have been some companies come in and say they are looking at doing some frack jobs and need over a million barrels of water but if they don't have a contract already signed, then WAWS can only offer them water at \$.84 a barrel.

In response to a comment on a recent news article regarding the WAWS domestic operations, Mr. Wirtz said WAWS had a lot of pipe go in during the month of July and there will be even more going in during August. They are working hard to get as much pipe as possible in the ground by at least October or early November so a lot of people will have high quality treated water.

Joel Erickson, Bank of North Dakota, introduced Craig Hanson, a new hire at the Bank of North Dakota, who will be taking over the WAWS portfolio after Joel moves to Fargo.

Being no further Western Area Water Supply Authority business, Governor Dalrymple adjourned this portion of the meeting at 4:03 p.m. and the Commission took up Lignite Research, Development and Marketing Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office
Jessica Pfaff, Agriculture Department
Mike Jones, Lignite Research, Development and Marketing Program (By Speakerphone)
Jason Bohrer, Lignite Energy Council
Tyler Hamman, Lignite Energy Council
Al Anderson, Department of Commerce
Andrea Pfennig, Department of Commerce
Dustin Willett, Red Trail Energy
Gerald Bachmeier, Red Trail Energy
John Harju, Energy and Environmental Research Center
Members of the Press

Governor Dalrymple called the Lignite Research, Development and Marketing Program portion of the Industrial Commission meeting to order at 4:03 p.m. following completion of Western Area Water Supply Authority business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, discussed her recommendation authorizing the Industrial Commission Executive Director to amend Contract No. FY08-LXII-161 allowing the transfer of all Great Northern Project Development, L.P.'s right, title and interest to South Heart Coal LLC/Great Northern Properties Limited Partnership (GNP). (A copy of the amendment is available in the Commission files.) She said Great Northern Project Development is streamlining their operations and needs to do some consolidations. In order to do that Great Northern requested that the Commission amend Contract No. FY08-LXII-161 so that the contract is transferred over to South Heart Coal which would indirectly then be transferred to GNP. That is what this amendment does. It also confirms all the no cost extensions that the Commission has granted since this contract was entered into and confirms that GNPD is the sole counter party in that contract. The important thing for the Commission is to make sure that all the guarantees remain in place and that is stated in the amendment – that the guarantee of Quintana Minerals Corporation dated October 6 previously provided will continue to remain in place and be in full force and effect.

In response to a question, Ms. Fine indicated that all the duties and obligations of the original parties will remain in effect for the substitute entities who are basically the same people.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission authorize the Industrial Commission Executive Director and Secretary to execute an addendum to Contract No. FY08-LXII-161 ("Contract 161") allowing the assignment of all Great Northern Project Development, L.P.'s right, title and interest in Contract 161 to South Heart Coal LLC/Great Northern Properties Limited Partnership. (A copy of the addendum to Contract 161 is available in the Commission files.) On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

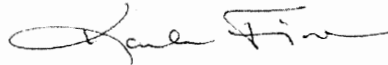
In response to a question, Mr. Jason Bohrer, Lignite Energy Council, indicated that the Stanton Station did not utilize North Dakota lignite--the coal used at that plant came from the Powder River Basin. The closure of that plant is not directly a Clean Power Plan issue but it is an illustration of the challenging environment that coal faces economically and another sign that there needs to be a change in the paradigm in North Dakota to keep the coal industry moving forward.

Minutes - Page 2
July 26, 2016

Being no further Lignite Research, Development and Marketing Program business, Governor Dalrymple adjourned this portion of the meeting at 4:07 p.m. and the Commission took up Renewable Energy Program business.

Following the Renewable Energy Program business, Attorney General Stenehjem stated that it has been reported that Minnesota Governor Dayton after indicating that the State of Minnesota would not be asking the entire Eight Circuit Court of Appeals to rehear the case or appealing the case to the U.S. Supreme Court, has now indicated that the State of Minnesota will be asking the U.S. Supreme Court to hear the case.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in cursive script, appearing to read "Karlene Fine".

Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also
Present: Al Anderson, Department of Commerce
Andrea Pfennig, Department of Commerce
John Harju, EERC
Dustin Willett, Red Trail Energy
Gerald Bachmeier, Red Trail Energy
Jason Nisbet, Governor's Office
Jessica Pfaff, Agriculture Department
Members of the Press

Governor Dalrymple called the Renewable Energy Program portion of the Industrial Commission meeting to order at 4:07 p.m. following completion of Lignite Research, Development and Marketing Program business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, discussed the Renewable Energy Fund financial report. She provided a copy of the final report for the 2013-2015 biennium. (A copy is available in the Commission file.) She then reviewed the financial report for the current biennium as follows:

Renewable Energy Development Fund
Financial Statement
2015-2017 Biennium
July 21, 2016 Renewable Energy Council Meeting

| | <u>Cash Balance</u> |
|--|-------------------------|
| July 1, 2015 Balance | \$ 3,496,859.75 |
| Revenues from Resources Trust Fund | \$ 3,000,000.00 |
| Other Revenues through May 31, 2016 | \$ 2,746.60 |
| Returned cash | \$ 331.40 |
| Expenditures net of returns through May 31, 2016 | <u>\$ (459,989.38)</u> |
| Cash Balance as of May 31, 2016 | \$ 6,039,948.37 |
| Outstanding Administrative Commitments (<i>estimate</i>) | \$(84,506.62) |
| Outstanding Project Commitments as of May 31, 2016 | <u>\$(1,452,249.90)</u> |
| Uncommitted dollars as of May 31, 2016 | \$ 4,503,191.85 |

Renewable Energy Development Fund
Continuing Appropriation Authority
2015-2017 Biennium

| | |
|---|------------------------|
| July 1, 2015 Balance of Uncommitted Dollars | \$ 2,470,113.85 |
| Transfer from Resources Trust Fund for 2015-2017 Biennium | \$ 3,000,000.00 |
| Interest Income (Estimated) | \$ 5,000.00 |
| Income from Project Applications (Estimated) | \$ 1,500.00 |
| Returned Commitments | <u>\$ 331.40</u> |
| | \$ 5,476,945.25 |
| Administrative Commitments | \$(120,000.00) |
| Commitments 2015-2017 | <u>\$(850,000.00)</u> |
| | \$ 4,506,945.25 |

57-51.1-07. Allocation of moneys in Oil Extraction Tax Development Fund states the following:

Five percent of the amount credited to the Resources Trust Fund must be transferred no less than quarterly into the Renewable Energy Development Fund, not to exceed three million dollars per biennium.

Renewable Energy Development Fund (54-63-04, N.D.C.C.) – Continuing appropriation. The Renewable Energy Development Fund is a special fund in the state treasury. All funds in the Renewable Energy Development Fund are appropriated to the Industrial Commission on a continuing basis for the purpose of carrying out and effectuating this chapter. Interest earned by the Fund must be credited to the Fund.

Mr. Al Anderson, Chairman of the Renewable Energy Council, discussed the Council’s recommendations on the following Grant Rounds 27 and 28 applications:

Mr. Anderson indicated that the first application was the “Gateway to Science Ethanol Exhibit”; Submitted by North Dakota Ethanol Council; Project Duration: 34 months; Total project costs: \$110,000; Request for: \$50,000. He reviewed the project as follows:

Summary of Project

The purpose of this project is to develop a hands-on, interactive, ethanol-specific exhibit to be utilized as a pilot at the current facility beginning the summer of 2016 and then permanently installed at the new Gateway to Science facility.

It is anticipated that results of this project will be:

- To increase the long-term use of ethanol in North Dakota by educating students, parents and educators in the region on the benefits of ethanol to the economy, environment and energy independence.
- To ensure the future of the ethanol industry workforce by engaging students, parents and educators in the lifecycle of ethanol production, specifically the scientific process of converting an agricultural product, which is a growing source of sustainable energy, into high-value co-products, including ethanol and distillers grains.

The 54% match comes from the applicant (\$25,500 – cash, \$10,000 – in-kind) and industry stakeholders (\$24,500.) He noted that the other parties that are involved in this project are the Gateway to Science staff and the Science Museum of Minnesota.

Independent Technical Reviewer’s Recommendations

2 – Fund

Technical Advisor’s Recommendation

Fund

Conflicts of Interest

Randy Schneider
Al Christianson

Vote

6 – Yes, 0 – No

Suggested Contingencies

The NDIC and the Renewable Energy Program are acknowledged through signage on both exhibits.

Mr. Anderson indicated that this exhibit would help educate students and parents and educators on the benefits of ethanol, the economy, the environment, energy independence--fitting very well with the State’s all of the above energy policy. It will also be beneficial in helping to develop an interest in the ethanol industry for the State’s

future workforce. He stated that it is engaging the students and parents--from 2004-2014 ND led in STEM growth at 37%; expectations are that in 2014-2019 it will grow another 19%. North Dakota has a lot of STEM jobs that are growing. This is another way to create an interest.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application "Gateway to Science Ethanol Exhibit" and authorize the Industrial Commission Executive Director to execute an agreement with the North Dakota Ethanol Council to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$50,000 with the contingency that the North Dakota Industrial Commission and the Renewable Energy Program are acknowledged through signage on both exhibits. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Anderson indicated that the second project was "Landfill Gas to Compressed Natural Gas Fast-Fill Fueling Station"; Submitted by the City of Fargo; Project Duration: 36 months; Total project costs: \$1,000,000; Request for: \$500,000. He reviewed the project as follows:

Summary of Project

The purpose of this project is to utilize landfill gas (LFG) by converting it to compressed natural gas (CNG) to be utilized by the city fleet and commercial partners. The applicant will install a fast-fill CNG fueling system and storage system.

This is the second phase of the project. The first phase, which has not yet been completed, includes a compressor upgrade and gas conditioning equipment. The estimated cost is \$2,723,400. The second phase includes the CNG fueling station and storage, as well as the start of fleet replacement. Only the fueling station and storage are included in this proposal. The city will pay for the rest of the costs with Qualified Energy Conservation Bonds (QECB) and the City of Fargo's Solid Waste capital budget.

At a total project cost of \$1,000,000, the estimated average annual fuel savings of 24 trucks is \$296,500. During the gradual conversion of trucks to CNG, the adjusted payback period is 14.15 years.

This project will serve as a demonstration project and will provide information for private and public fleets in the state that may want to use CNG.

Independent Technical Reviewer's Recommendations

2 – Fund

Technical Advisor's Recommendation

Funding may be considered

Conflicts of Interest

Mark Nisbet

Vote

6 – Yes, 0 – No

Mr. Anderson stated that the City of Fargo already collects the landfill gas which is used for the facility's operational needs with the surplus sold to a commercial company. The City is currently in Phase I of this project which includes a compressor upgrade and the purchase of gas conditioning equipment to be used to convert landfill gas to natural gas. This funding request is for Phase II which is converting the natural gas to CNG and the construction of a CNG Fast Fill Fuel Station. The City is looking ahead; they want to convert not only the City fleet of sanitation trucks but commercial partners down the road. They wish to move forward with this project by

installing a fast-fill CNG fueling system and storage. This would serve as a pilot demonstration project. The City will capture the economics and operational costs associated with that type of project so the information would be beneficial to other communities and private players. In response to a question, it was stated that these dollars would be used just for the construction of the fast fill CNG fueling station. They would be converting their garbage trucks three at a time to be able to use CNG. Eventually the fast fill station would be available to other parties if they wished to use CNG. However, the City is moving forward slowly to make sure all the economics work and by showing that it can be done. Ms. Pfennig, Department of Commerce, stated that the payback time would be reduced if they have private entities involved. They want to make sure they have resolved all the issues included liability before opening up the fill station to all parties.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application “Landfill Gas to Compressed Natural Gas Fast-Fill Fueling Station” and authorize the Industrial Commission Executive Director to execute an agreement with the City of Fargo to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$500,000. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Anderson presented the third recommended project “Solar Soaring Power Manager Phase III”; Submitted by: Packet Digital; Project Duration: 12 months; Total project costs: \$1,000,000; Request for: \$375,000. He reviewed the project as follows:

Summary of Project

The overall goal of this project is to create a solar soaring power management system for Unmanned Aircraft Systems (UAS) to initially double fly times and ultimately provide unlimited endurance powered by solar energy. In the first phases of this project, the applicant accomplished the following:

- Produced a 37.6% efficient solar cell.
- Solar wings constructed and successfully flown, utilizing Packet Digital’s power system (MPPT, PMAD, and Smart Battery.)
- Produced flight endurance model that predicts 21 hours of endurance with our system under development.
- Produced Maximum Power Point Tracking (MPPT) hardware and algorithm tuned for high efficiency solar arrays and variable solar input environment. This technology has other solar applications and has seen interest from other companies.
- Produced a smart battery with approximately 440 watt hour capacity.
- Produced a power manager for all power components with greater than 95% efficiency.
- Produced an optimized torque motor control which improves propulsion system efficiency and reduces airframe vibration.

The third and final phase of the project will complete the following:

- Fabricate solar UAS wing using high efficiency solar cells.
- Integrate power management and solar solutions into commercial UAS airframe.
- Flight testing, both at Naval Research Lab and in ND.
- Establish a manufacturing plan for extended endurance solar UAS.

The applicant will collaborate with c2renew and Chiptronics (Dunseith) to establish North Dakota molds, materials, and manufacturing process. Ultimately, this project could create manufacturing opportunities in North Dakota for a variety of products including solar arrays and UAS along with product development opportunities for ND companies.

Independent Technical Reviewer’s Recommendations

2 – Fund, 1 – Funding May Be Considered

Technical Advisor's Recommendation

Funding May Be Considered

Conflicts of Interest

None.

Vote

6 – Yes, 0 – No

Mr. Anderson commented on the successes Packet Digital has already had in job creation in North Dakota with a company called Botlink--currently 18 employees with the intention to grow to 100 people if this is successful in the next year or so in Fargo. They have been working with North Dakota companies hoping that if some of these different components are successful they can be manufactured at a profit here in North Dakota. Packet Digital is also working with the North Dakota universities.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application "Soaring Solar Power Manager Phase III" and authorize the Industrial Commission Executive Director to execute an agreement with Packet Digital to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$375,000. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Anderson presented the fourth and last recommendation for "Integrated Carbon Capture and Storage for North Dakota Ethanol Production"; Submitted by EERC in partnership with Red Trail Energy; Project Duration: 6 months; Total project costs: \$980,000; Request for: \$490,000. He reviewed the project as follows:

Summary of Project

The purpose of this project is to conduct a feasibility study for integrating carbon capture and storage (CCS) of CO₂ emissions from Red Trail Energy to reduce net CO₂ emissions associated with ethanol production. Specifically, the project will:

- Assess the technical feasibility of carbon capture at Red Trail and subsequent geologic CO₂ storage.
- Develop a field implementation plan (FIP) determining the design and implementation steps needed to install a CCS system
- Evaluate the economic feasibility of CCS deployment, including installation and operating costs as well as potential revenue from low-carbon fuel markets and/or tax incentives to assess the benefits to ND ethanol producers.

Of the 50% match, \$290,000 comes from Red Trail Energy (cash & in-kind) and \$200,000 comes from DOE (cash).

This project could help ND ethanol plants capitalize on national low-carbon fuel markets. It would help provide economic stability and potential growth for the ethanol industry. It would also support North Dakota Class VI primacy efforts for geologic CO₂ storage.

Independent Technical Reviewer's Recommendations

3 – Fund

Technical Advisor's Recommendation

Fund

Conflicts of Interest

Al Christianson

Vote

6 – Yes, 0 – No

Commissioner Goehring disclosed that he is an investor in Red Trail and requested clarification as to whether he can vote on this application. He likes the project--there are two aspects to it, first the carbon capture and secondly, the fact that it would lower the carbon footprint which makes ethanol a more appealing fuel to the alternative fuel market. Attorney General Stenehjem indicated that he has disclosed his conflict; however, he should still be able to vote.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application “Integrated Carbon Capture and Storage for North Dakota Ethanol Production” and authorize the Industrial Commission Executive Director to execute an agreement with the Energy and Environmental Research Center to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$490,000.

There was discussion between the Commission, Mr. Anderson and the representatives from Red Trail regarding how the project would work, where the CO₂ would be injected, how much CO₂ is generated in the ethanol process and the status of the State’s efforts to have primacy on CO₂ capture and storage.

Governor Dalrymple commented on a recent meeting he had attended where the discussion was on developing ways to utilize CO₂--one possibility is using CO₂ for building products. He noted that this is an important piece of the whole CO₂ reduction puzzle and he hopes there is a way to create demand for CO₂.

On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Anderson discussed the Council’s recommendations on the Renewable Energy Program policy amendments as follows:

RE: Proposed amendment to Renewable Energy Program Policies

The Renewable Energy Council at their meeting on July 21 unanimously recommended that the following amendment be made to the Renewable Energy Program policies:

(Under 2.02)

The following activities or uses are ineligible for funding under this Program:

- a. Business startup capital.
- b. Business working capital.
- c. Business advertising or promotional expenses pertaining to a specific company or entity.
- d. Unallowable expenses include i) food and beverages unless a) the express purpose of the project is to educate individuals outside of the grantee’s agency and the costs are being used during those educational meetings for individuals outside of the grantee’s agency and b) unless the meetings include an individual(s) outside the grantee’s entity and are incurred for the furtherance of the project or for the express purpose of disseminating project information and ii) travel unless directly related to the achievement of the project. Costs incurred for travel to conferences not in furtherance of the project may not be considered as match funding.

- e. Indirect costs in excess of the federal rate may be granted on a case by case basis. It should be noted that the lower the amount of indirect costs the higher the priority given to an application.
- f. Sponsorship of conferences.
- g. Expenses incurred prior to submission of application. Note, applicants may incur expenses after submission of their proposal for which they intend to seek reimbursement; however, they do so at their own risk as the Council/Commission may not award funding.

This amendment was proposed to the Council (and subsequently to the Commission) by staff so it is clear to applicants that prior expenses will not be reimbursed and to also clarify how expenses incurred between the time of submission of an application to a possible award will be treated as it relates to expenses eligible for reimbursement. This has been the practice we have been following since the program was implemented but because of questions we have been receiving thought it advisable to put it in the policies.

Mr. Anderson said this is a simple amendment, one that follows the practice that is being used by the staff. There are sometimes questions on this point so this was proposed to make it clear. It was noted that most grant programs do not allow reimbursement for expenses prior to the awarding of funds. It is only after the awarding of the funding that expenditures are allowed for reimbursement. It was clarified that the staff still has the discretion to determine if the expense has been utilized for the project before payment is made.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council and approves the following amendment to the Renewable Energy program policies:

(Under 2.02)

The following activities or uses are ineligible for funding under this Program:

- a. Business startup capital.
- b. Business working capital.
- c. Business advertising or promotional expenses pertaining to a specific company or entity.
- d. Unallowable expenses include i) food and beverages unless a) the express purpose of the project is to educate individuals outside of the grantee's agency and the costs are being used during those educational meetings for individuals outside of the grantee's agency and b) unless the meetings include an individual(s) outside the grantee's entity and are incurred for the furtherance of the project or for the express purpose of disseminating project information and ii) travel unless directly related to the achievement of the project. Costs incurred for travel to conferences not in furtherance of the project may not be considered as match funding.
- e. Indirect costs in excess of the federal rate may be granted on a case by case basis. It should be noted that the lower the amount of indirect costs the higher the priority given to an application.
- f. Sponsorship of conferences.
- g. Expenses incurred prior to submission of application. Note, applicants may incur expenses after submission of their proposal for which they intend to seek reimbursement; however, they do so at their own risk as the Council/Commission may not award funding.

On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Mr. Anderson discussed the confidentiality request for a portion of the ROWS - Replacing Oil with Straw application and the confidentiality request from Packet Digital for appendices of their reports as follows:

RE: Confidentiality determination

The Renewable Energy Program statute - Chapter 54-63 - allows the Industrial Commission to determine if certain information is confidential. One of the applicants during Grant Round 27 requested that a portion of their application be determined as confidential. They provided the information that is required in the statute to make that determination. Therefore it is my recommendation that the Industrial Commission grant their request and determine that the following information is confidential:

New Energy Investors' Executive Summary and the detailed Project Development Budget of the R-027-C application - ROWS - Replacing Oil with Straw

Terri Zimmerman with Packet Digital has also requested confidentiality for the confidential appendices of the North Dakota Renewable Energy Program "Solar Soaring Power Manager" project reports for Phases I, II and III. The Commission has already granted confidentiality for Phases I and II. She has provided the information that is required in the statute to make the determination of confidentiality. Therefore it is my recommendation that the Industrial Commission grant Packet Digital's request and determine that the following information is confidential:

Solar Soaring Power Manager Phase III project report appendices.

Ms. Zimmerman has indicated that they will be providing non-confidential information on their project that would be available to the public and the Commission will be posting those reports on its website.

Mr. Anderson said the New Energy Investor's ROW - Replacing Oil with Straw application did not receive approval for funding but the Council did recommend to the applicant that they work closely with other North Dakota partners and reapply if they so choose. He recommended honoring their request to keep that information confidential. Similarly he recommended that the Packet Digital request for portions of the Solar Soaring Power Manager Phase III reports be kept confidential.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director and determine that the following information is confidential:

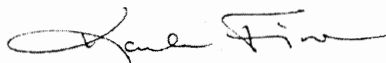
New Energy Investors' Executive Summary and the detailed Project Development Budget appendix of the R-027-C application - ROWS - Replacing Oil with Straw

Solar Soaring Power Manager Phase III project report appendices

On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Being no further Renewable Energy Program business, Governor Dalrymple adjourned this portion of the meeting at 4:35 p.m. and the Attorney General briefly comments on the status of the Minnesota lawsuit (see Lignite Research Program minutes). Following his comments the Commission took up North Dakota Mill business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office
Jessica Pfaff, Agriculture Department
Members of the Press

Governor Dalrymple called the North Dakota Mill portion of the Industrial Commission meeting to order at 4:36 p.m. following completion of Renewable Energy Program business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, reported on the unaudited profits for the fiscal year ending June 30, 2016 and the transfers made to the General Fund and Agricultural Products Utilization Fund as follows:

RE: North Dakota Mill transfers

At the June 29, 2016 Industrial Commission meeting you passed the following motion:

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the State Mill is authorized to transfer 5% of the net income earned by the Mill for fiscal year 2016 to the Agricultural Products Utilization Fund (APUF) and transfer to the General Fund 50% of the annual earnings and undivided profits of the Mill after any transfers to other state agricultural-related programs as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the transfer numbers once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their July 26 meeting.

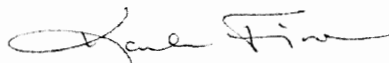
In compliance with your directive, on July 25, based on unaudited FY16 profits of \$9,336,618.47, the Mill transferred \$466,830.92 to the APUC Fund and \$4,434,893.78 to the General Fund. Total transfers were \$4,901,724.70 -- 52.5% of the Mill's profits for FY16.

Ms. Fine said Mr. Taylor will come in with a full report at a future meeting. The Commission commended the Mill for another good year.

In response to a question Ms. Fine said on Monday, September 26, the Commission will meet in Grand Forks and will dedicate the Core Library expansion and then go to the Mill to have a ribbon cutting, tour and meeting there.

Being no further North Dakota Mill business, Governor Dalrymple adjourned this portion of the meeting at 4:39 p.m. and the Commission took up Administrative business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 26, 2016 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office
Jessica Pfaff, Agriculture Department
Members of the Press

Governor Dalrymple called the Administrative portion of the Industrial Commission meeting to order at 4:39 p.m. following completion of State Mill business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, discussed her recommendation regarding extension of the Industrial Commission's Financial Advisor agreement until August 1, 2017 as follows:

RE: Financial Advisory Services Agreement

The Financial Advisory Services Agreement the Industrial Commission currently has is with Public Financial Management, Inc. (PFM). The agreement had expired a few years ago but they have continued to provide advisory services to the Commission's entities, the Department of Transportation and the Water Commission at the same rate as the Agreement approved in 2006. They have provided excellent services to the Commission's entities and to the other state agencies as needed. We have now begun work on a refunding of outstanding North Dakota Building Authority bonds and that reminded me that we needed to revisit the financial advisory services agreement. I would recommend that the Industrial Commission extend its engagement with Public Financial Management, Inc. approved in 2006 **through August 1, 2017.**

I am suggesting the August 1, 2017 date so we have a financial advisor in place for the 2017 legislative session and to allow time after the session to issue a Request for Proposals and bring a recommendation to the Commission for selecting a firm to provide financial advisory services.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director/Secretary and extend the Financial Advisory Services Agreement approved in 2006 with Public Financial Management, Inc. through August 1, 2017. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Ms. Fine presented the June 29, 2016 confidential and non-confidential meeting minutes for the Commission's consideration.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approve the June 29, 2016 minutes as presented. On a roll call vote Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye and no one voted no. The motion carried unanimously.

Being no further Administrative business, Governor Dalrymple adjourned the meeting at 4:42 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary